



# SOUTHERN VIRGINIA HIGHER EDUCATION CENTER

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS AS OF JULY 2022

Auditor of Public Accounts  
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Auditor of Public Accounts

# Commonwealth of Virginia

*Auditor of Public Accounts*

P.O. Box 1295  
Richmond, Virginia 23218

October 10, 2022

Dr. Betty Adams, Executive Director  
Southern Virginia Higher Education Center  
820 Bruce Street  
South Boston, VA 24592

## INTERNAL CONTROL QUESTIONNAIRE REVIEW RESULTS

We have reviewed the Internal Control Questionnaire for the **Southern Virginia Higher Education Center** (Higher Education Center). We completed the review on July 5, 2022. The purpose of this review was to evaluate if the agency has developed adequate internal controls over significant organizational areas and activities and not to express an opinion on the effectiveness of internal controls. Management of the Higher Education Center is responsible for establishing and maintaining an effective control environment.

### Review Process

During the review, the agency completes an Internal Control Questionnaire that covers significant organizational areas and activities including payroll and human resources; revenues and expenses; procurement and contract management; capital assets; grants management; debt; and information technology and security. The questionnaire focuses on key controls over these areas and activities.

We review the agency responses and supporting documentation to determine the nature, timing, and extent of additional procedures. The nature, timing, and extent of the procedures selected depend on our judgment in assessing the likelihood that the controls may fail to prevent and/or detect events that could prevent the achievement of the control objectives. The procedures performed target risks or business functions deemed significant and involve reviewing internal policies and procedures. Depending on the results of our initial procedures, we may perform additional procedures including reviewing evidence to ascertain that select transactions are executed in accordance with the policies and procedures and conducting inquiries with management. The "Review Procedures" section below details the procedures performed for the Higher Education Center. The results of this review will be included within our risk analysis process for the upcoming year in determining which agencies we will audit.

## **Review Procedures**

We evaluated the agency's corrective action for all prior review findings. The agency has taken adequate corrective action with respect to review findings reported in the prior review conducted in 2019 that are not repeated in the "Review Results" section below.

We reviewed a selection of system and transaction reconciliations in order to gain assurance that the statewide accounting system contains accurate data. The definitive source for internal control in the Commonwealth is the Agency Risk Management and Internal Control Standards (ARMICS) issued by the Department of Accounts (Accounts); therefore, we also included a review of ARMICS. The level of ARMICS review performed was based on judgment and the risk assessment at each agency. At some agencies only inquiry was necessary, while others included an in-depth analysis of the quality of the Stage 1 Agency-Level Internal Control Assessment Guide, or Stage 2 Process or Transaction-Level Control Assessment ARMICS processes. Our review of the Higher Education Center's ARMICS program included a review of all current ARMICS documentation and a comparison to statewide guidelines established by Accounts. Further, we evaluated the Higher Education Center's process of completing and submitting attachments to Accounts.

We reviewed the Internal Control Questionnaire and supporting documentation detailing policies and procedures. As a result of our review, we performed additional procedures over the following areas: payroll and human resources, revenues and expenses, capital assets, and information technology and security. These procedures included validating the existence of certain transactions; observing controls to determine if the controls are effectively designed and implemented; reviewing transactions for compliance with internal and Commonwealth policies and procedures; and conducting further review over management's risk assessment process.

As a result of these procedures, we noted areas that require management's attention. These areas are detailed in the "Review Results" section below.

## **Review Results**

We noted the following areas requiring management's attention resulting from our review:

- **Repeat** - The Higher Education Center does not have documented policies and procedures for all critical business processes. Additionally, the Higher Education Center has a review process in place requiring the review of policies every five years instead of annually. Topic 20905 and other sections of the Commonwealth Accounting Policies and Procedures (CAPP) Manual state that each agency needs to "publish its own policies and procedures documents, approved in writing by agency management." The Higher Education Center should develop policies and procedures for all critical business areas and update them annually.
- **Repeat** - The Higher Education Center is using project codes as opposed to fund codes to segregate its federal funds. Topic 60104 of the CAPP Manual states "the fund code is used to provide a complete but separate set of accounting records for a specific operation." This section also states that project codes are intended for management use only since "Generally Accepted Accounting Principles (GAAP) basis reporting is at the fund rather than project level." The Higher Education Center should properly segregate transactions of federal monies

by using fund codes in accordance with the principles of governmental fund accounting. The Higher Education Center has been working with the Department of Accounts and the Department of Planning and Budget to address this issue.

- **Partial Repeat** - The Higher Education Center has made some progress with their ARMICS process, but the process is not in full compliance with the Department of Account's ARMICS requirements. The Higher Education Center has not performed any transaction-level review as required by topic 10305 of the CAPP Manual, which outlines the requirements of the ARMICS program. Management should ensure that the ARMICS process covers all the minimum requirements set by the Department of Accounts.
- For a limited selection of accounting system and bank reconciliations, there was no documented review to support proper separation of duties. Normally the preparer and the reviewer sign the reconciliation as evidence of proper review and separation of duties; however, in this case only the preparer signed the reconciliation. The Higher Education Center should update this process to ensure there is evidence to support proper separation of duties for these reconciliations.
- The Higher Education Center does not have an updated Contingency Plan and Disaster Recovery Plan. The Commonwealth's Information Security Standard, SEC 501, (Security Standard) requires agencies to periodically review, reassess, test, and revise the disaster recovery plan to reflect changes in mission essential functions, services, information technology system hardware and software, and personnel. In addition, the Security Standard requires agencies to review the Contingency Plan on an annual basis or more frequently if required to address an environmental change. The Higher Education Center should update its Contingency Plan and Disaster Recovery Plan to ensure compliance with these requirements.

We discussed these matters with management on August 22, 2022. Management's response to the findings identified in our review is included in the section titled "Agency Response." We did not validate management's response and, accordingly, cannot take a position on whether or not it adequately addresses the issues in this report.

This report is intended for the information and use of management. However, it is a public record and its distribution is not limited.

Sincerely,

Staci A. Henshaw  
Auditor of Public Accounts

JDE/clj

November 14, 2022

Ms. Staci A. Henshaw, CPA  
Auditor of Public Accounts  
P.O. Box 1295  
Richmond, VA 23218

Dear Ms. Henshaw:

The Southern Virginia Higher Education Center (SVHEC) has reviewed the Internal Control Questionnaire Review Results for the review completed on July 5, 2022. The review covered the periods FY2019 through FY2021. We appreciate the opportunity to provide our comments on the report.

SVHEC acknowledges and concurs with the findings outlined in the *Review Results* section of the report. The findings recommend that the agency develop policies and procedures for *all* critical business areas and update them annually (as opposed to every five years). The report notes that we are working with the Department of Accounts and the Department of Planning and Budget to adjust the agency's procedure for recording federal funds received. In addition, the report states the agency should continue updating its ARMICS processes to include a transaction level review and ensure that all minimum requirements set by the Department of Accounts are covered. Furthermore, the agency should update its reconciliation procedures to ensure there is clear evidence to support proper separation of duties. Finally, the agency should update its Contingency Plan and Disaster Recovery Plan to ensure compliance with the Commonwealth's Information Security Standard, SEC 501.

The agency appreciates APA's thorough review and recommendations for improvement. We will take steps to ensure the recommendations are completed.

Thank you again for your assistance. Please let me know if you have any further questions.

Sincerely,



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Southern Virginia Higher Education Center  
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